

Naval Audit Service



Audit Report



Navy Marine Corps Intranet Invoice Approval Process within the Marine Corps

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N2009-0036
24 June 2009

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24 Jun 09

**MEMORANDUM FOR THE COMMANDANT OF THE MARINE CORPS (RFR)
PROGRAM MANAGER NAVY MARINE CORPS
INTRANET**

**Subj: NAVY MARINE CORPS INTRANET INVOICE APPROVAL PROCESS
WITHIN THE MARINE CORPS (AUDIT REPORT N2009-0036)**

Ref: (a) NAVAUDSVC memo 7510/N2008-NFA000-0011, dated 2 Oct 07
(b) SECNAV Instruction 7510.7F, "Department of the Navy Internal Audit"

1. The report provides results of the subject audit announced in reference (a). Section A of this report provides our findings and recommendations, summarized management responses, and our comments on the responses. Section B provides the status of the recommendations. The full text of management responses is included in the Appendices.

2. Recommendations 1 through 7 and 9 through 13 were addressed to the Commandant of the Marine Corps. Recommendation 8 was addressed to the Commandant of the Marine Corps and the Program Manager Navy Marine Corps Intranet (NMCI).

- The Marine Corps provided their original responses on 11 December 2008; these responses meet the intention of Recommendations 2, 8, 10, 11, and 13. After discussions with the Naval Audit Service, the Marine Corps provided revised responses to Recommendations 1, 3-7, 9, and 12 on 27 April 2009. The revised responses meet the intent of these recommendations. All the recommendations are considered open pending completion of the planned corrective actions, and are subject to monitoring in accordance with reference (b). Management should provide a written status report on the recommendations within 30 days after target completion dates. For Recommendation 2, the Marine Corps should also provide a status report on the associated funds available for other use.
- The Program Executive Officer Enterprise Information Systems responded for the Program Manager NMCI to Recommendation 8. Actions planned by management in response to Recommendation 8 meet the intent of the recommendation. This recommendation is considered open pending completion of the planned corrective

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WITHIN THE MARINE CORPS (AUDIT REPORT N2009-0036)**

actions, and is subject to monitoring in accordance with reference (b).
Management should provide a written status report on the recommendation within
30 days after the target completion date.

3. Please provide all correspondence to the Assistant Auditor General for Financial
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copy to the Director, Policy and Oversight, XXXXXXXXXXXXXXXXXXXX. Please submit
correspondence in electronic format (Microsoft Word or Adobe Acrobat file), and ensure
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4. Any requests for this report under the Freedom of Information Act must be approved
by the Auditor General of the Navy as required by reference (b). This audit report is also
subject to followup in accordance with reference (b).

5. We appreciate the cooperation and courtesies extended to our auditors.



XXXXXXXXXXXXXXXXXXXX

Assistant Auditor General

Financial Management and Comptroller Audits

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Section A:

Findings, Recommendations, and Corrective Actions

Finding 1: Seat Management

Synopsis

Internal controls over management of Marine Corps Navy Marine Corps Intranet (NMCI) user accounts and seats needed improvement. A seat is comprised of the hardware, software, security features and services provided to the NMCI user as computing resources. The seats are defined as fixed workstation, portable, embarkable, embarkable portable, and hybrid. We found the Marine Corps was paying for services and assets on user accounts that should have been deactivated or deleted when personnel retired, transferred, or left the service. To validate for existence, we randomly selected 878 NMCI seats from the 193 invoices selected for review in Finding 2. Our analysis showed that 320 of 878 (36 percent) could not be validated. Additionally, equipment in excess of requirements continued to be ordered and retained. These weaknesses generally occurred because management was unaware of regulatory requirements concerning property accountability. Some managers believed that NMCI accountability was done by others and was not required at their activity; sufficient records were not maintained; and periodic reviews to effectively monitor inventory managed under the NMCI contract were not performed. As a result, we estimated that the Marine Corps incurred costs of \$1.2 million for inactive accounts; the Marine Corps subsequently informed us they avoided unnecessary costs of approximately \$3.6 million in Fiscal Year 2008 by deactivating accounts for personnel who were retired or no longer supporting the Service. We also noted that seats were missing, deployed, and stored without appropriate inventory lists; and equipment in excess of requirements was retained. Senior Marine Corps management stated that one of the main causes for these problems was the lack of an account management tool. See Exhibit B for Reason for Audit.

Background and Pertinent Guidance

Background

NMCI Contract. The NMCI contract is an indefinite delivery/indefinite quantity firm-fixed-price type of contract providing for placement of fixed unit price task orders for

various categories of information technology services by Navy and Marine Corps commands. Through the NMCI contract, the Department of the Navy (DON) has been replacing independent local and wide area networks with a single network and related desktop hardware and software that are owned by the contractor. Electronic Data Systems (EDS) is the primary contractor for NMCI.

This type of contract is commonly referred to as “seat management.” Generally speaking, under seat management, contractor-owned desktops and laptops, and other computing hardware, software, and related services are bundled and provided on the basis of a fixed price per unit (or seat). A seat is comprised of the hardware, software, security features, and services provided to the NMCI user as computing resources. The seats are defined as fixed workstation, portable, embarkable, embarkable portable, and hybrid. Two user accounts are included with each non-classified NMCI seat. User accounts can be accessed from any NMCI workstation. Services are provided to support seats, which may include multiple user accounts. Invoices are processed and tracked through e-Marketplace.

Pertinent Guidance

Secretary of the Navy (SECNAV) Manual 5239-1 “Department of the Navy Information Assurance Manual,” November 2005. This manual implements the policy set forth in SECNAV Instruction 5239.3A and describes the DON Information Assurance Program. Section 5.6 states account management ensures that valid user accounts are associated with active, authorized personnel. In addition, Department of Defense (DoD) Instruction 8500.2 requires a comprehensive account management process to be implemented to ensure that only authorized users can gain access to workstations, applications, and networks and that individual accounts designated as inactive, suspended, or terminated are promptly deactivated.

Marine Corps Order P4400.150E, “Consumer-Level Supply Policy Manual,” updated 3 June 2002. The Order establishes supply policies for use in effective control of equipment and materiel processed through Marine Corps consumer-level supply organizations. It also provides that execution of these supply policies are essential for effective materiel management required to ensure mission accomplishment.

Paragraph 2013, Garrison Property, states commands in possession of garrison plant, property, and equipment that is owned, on loan, leased, or for which they are otherwise responsible, shall account for such items as prescribed by Marine Corps Order (MCO) P10150.1.

Commandant of the Marine Corps Message 061242zAPR07, “NMCI Account Management Policy,” 6 April 2007. The message stated in view of the potential cost

and security concerns with maintaining a large number of dormant accounts, commands must be proactive in managing their NMCI accounts. Account management is considered a joint effort between the Command Technical Representative (CTR) from a cost perspective and command information assurance personnel from a security perspective.

Audit Results

Inactive User Accounts

The Marine Corps is still paying for services and/or NMCI assets on user accounts that should have been deleted due to personnel retiring, transferring, or leaving active duty. The DON Information Assurance Manual, SECNAV M-5239-1 states system administrators shall monitor user account inactivity and establish procedures for investigating, deactivating, and eliminating accounts that do not show activity over time. We performed limited testing at Marine Corps Air Station (MCAS) Cherry Point, NC; Marine Corps Base (MCB) Camp Pendleton, CA; U.S. Marine Corps Forces Command (MARFORCOM) in Norfolk, VA; and MCB Camp Lejeune, NC, and verified whether the accounts were active in NMCI Enterprise Tool, Global, Homeport, Joint Enterprise Directory Services, and Active Directory tools. We found that some military personnel accounts continued to be paid between 1 month and 2 years after personnel left an activity or command. The 6 April 2007 Marine Corps message required commands to be proactive in managing their NMCI accounts. Dormant or inactive accounts are those that have not been used in more than 90 days. These accounts remain a problem. Accordingly, the Marine Corps will continue to pay for dormant accounts because action has not been taken to deactivate the accounts.

Limited testing. We performed limited testing at MCAS Cherry Point; MCB Camp Pendleton; and MARFORCOM, and were provided check-out logs with 852 individuals who had separated from the activities. We judgmentally selected a sample of 32 user accounts from these lists and found 24 had not been terminated upon users' separation as required. The days ranged from up to 688 days. The average number of days until termination was about 359. Our analysis showed 22 of the 24 user accounts were not removed for at least 108 days past the individuals' separation from an activity or command. We were not able to determine the exact number of days before user account removal for some of the selected accounts because termination dates for those accounts were not maintained.

At MCB Camp Lejeune, we were provided a listing as of 10 December 2007 that contained 1,810 user accounts that had been dormant more than 90 days. All user accounts that have not been used in more than 90 days remain both a cost and security

concern for the Marine Corps. We were not able to determine exact number of days before account removal for these accounts because termination dates for those accounts were not maintained. However, the Marine Corps could have avoided costs of about \$1.2 million in monthly service charges and used the funds for other opportunities if all 1,810 accounts had been discontinued.

Check-in and Check-out Process. Check-in/check-out procedures at MCB Camp Pendleton, MCAS Cherry Point, and MARFORCOM in Norfolk were not complete and needed improvement. We found that MCB Camp Lejeune and MCAS Miramar had not implemented checkout procedures or kept records of personnel that had checked out as required. Commands that did not implement checkout procedures relied heavily on other sources to monitor and report personnel that had left the command. The lack of effective check-in and check-out procedures can result in maintaining unnecessary accounts, increased security risks, as well as additional costs for excess accounts on the NMCI network. The 6 April 2007 Commandant of the Marine Corps (CMC) Message directed commands to establish local check-in/check-out procedures to identify and promptly address user accounts that are no longer needed.

A similar condition was reported in “Information Security within the Marine Corps,” Naval Audit Service Report N2008-0023, dated 20 February 2008. That audit recommended procedures needed to be implemented that ensured individual accounts designated as inactive, suspended, or terminated are promptly deactivated. The Marine Corps concurred and corrective actions were expected to be implemented no later than February 2009. We consider actions ongoing and no additional recommendations will be made on this point.

Deployable Seats

Deployable seats, according to the NMCI contract, means that the workstation will be periodically deployed and used in an expeditionary or field environment. The workstation is a non-ruggedized deployable portable seat. Non-ruggedized deployable portable seats shall be capable of interfacing with, and being reconfigured for, compatibility with shipboard networks and the Marine Corps Tactical Network. Deployable seats represent about 33 per cent of Marine Corps seats ordered for the NMCI program. As of 13 August 2008, the Marine Corps paid \$116.9 million for 33,225 FY 2007 deployable seats.

The original draft of this audit report contained estimates of potential savings from deactivating seats for deployed Marine Corps personnel. In response to the draft audit report the Marine Corps cited difficulties and complications associated with managing NMCI seats assigned to deployed personnel. Specifically, the response stated that NMCI accounts were still being used by deployed personnel and accounts for transferring

personnel were shifted to their new duty station instead of being cancelled. While there are substantial costs associated with seats assigned to deployed personnel, in our opinion determining which seats should be cancelled could be a difficult and complex decision. Accordingly, we accepted the Marine Corps position concerning the feasibility of deactivating deployed seats and removed the associated calculations of potential savings from this report.

The Marine Corps does not have policy and associated guidance concerning when accounts should be disabled, or terminated based on deployment status. In January 2007, the 2nd Marine Aircraft Wing established policy guidance for the storage and accountability of NMCI assets while the Aircraft Wing was deployed in support of Operation Iraqi Freedom. Specific actions were prescribed in the guidance. We believe that establishing such procedural guidance is a best practice that would benefit all Marine Corps activities needing to manage NMCI assets during deployments.

Unused and Missing Equipment

Marine Corps activities did not maintain sufficient inventory records of NMCI equipment, contrary to MCO P4400.150E, "Consumer Level Supply Policy." To validate for existence, we randomly selected 878 NMCI seats from the 193 invoices selected for review in Finding 2. Our analysis showed that 558 of 878 NMCI seats could be validated. The assets were readily available and could be physically located. We could not validate the remaining 320 of 878 (36 percent). During our validation process, we noted the Marine Corps had unused inventory stored in closets, vaults, and outside storage bins for which services were not terminated or temporarily deactivated to avoid unnecessary cost. Marine Corps managers were not complying with supply-level inventory requirements for NMCI seats. As a result, authorized personnel were still ordering the same quantity annually, although the need for equipment could have been satisfied by redistribution of available assets.

Local Policies. It is noteworthy that some commands have issued local policies for NMCI account management accountability. For example, the 1st Marine Division, Commanding General's Policy Letter 4-06, "NMCI Computer Accountability and Maintenance Procedures," was issued on 31 March 2006. The policy letter specified that, although NMCI equipment is not Marine Corps property, strict accountability of on-hand assets and visibility of allowance items is critical and must be maintained. Specifically, the policy letter directed that all NMCI equipment be managed in the same manner as required by MCO P4400.150E. Per the MCO, accountability is concerned primarily with records, while responsibility is concerned primarily with custody, care, and safekeeping. Any person having public property in their custody or under their supervision assumes a public trust that the property will be used only for its intended purpose and as authorized by law or regulations. We also noted the 2nd Marine Aircraft Wing issued a letter of

instruction for “Storage and Accountability of Navy and Marine Corps Intranet (NMCI) Assets while Deployed in Support of Iraqi Freedom 06-08,” dated 10 January 2007. The guidance specifies that organizations should fully account for deployed seats.

Seat Management. We found that commands were not accounting for NMCI equipment as required. For example, during the validation process at MCAS Miramar, we found that 44 of the 68 (65 percent) seats selected for validation could not be found. The audit team located storage bins full of inventory reported by the CTR as no longer needed. Some equipment was pending EDS pick-up for tech refresh seats, and some were new, unused equipment in unopened cartons. Equipment pending pick-up by EDS could potentially contain sensitive information, thus access to the storage should be limited. Per cognizant Marine Corps personnel, access to the equipment was not limited. We did not test to determine if any of the equipment contained sensitive information. An inventory of stored items was not maintained. MCO P4400.150E requires accountability of leased property. We took photographs at the MCAS Miramar location of the stored equipment. See photographs below:

Figure 1



Figure 2



Figure 1 and Figure 2 show new and unused NMCI equipment stored by personnel at Marine Corps Air Station Miramar, CA as of May 2008.

Official U.S. Navy Photos courtesy Naval Audit Service.

Based on interviews, CTRs noted that inventory located at MCAS Miramar had been stored for more than 2 years, and was re-ordered and invoiced every year through the automated ordering process within e-Marketplace. Storage locations at various activities included closets and various buildings or bins, and locations outside of the designated buildings. Equipment was not monitored periodically to ensure that conditions were conducive to prevent deterioration or damage during storage. Failure to properly store computer equipment could decrease the useful life of seats as well as increased cost for

replacement. Stored computers could also pose a potential security risk if access is not restricted to prevent compromise of information on the computer hard drives.

During our visit, CTRs could not locate seats of equipment, because the equipment had been removed from storage, subsequent to the CTR validating locations. The CTRs were unaware of who removed the equipment and for what purpose. The ultimate status was not determined during our visit. This hindered the CTR's ability to maintain sufficient records or safeguard sensitive information.

Missing Equipment. We found that Marine Corps personnel did not perform periodic reviews to effectively monitor inventory managed under the NMCI contract. This occurred because many managers thought they were not required to reconcile seats of equipment because they believed the reconciliation was a part of the basic services provided under the NMCI contract. This was an incorrect interpretation of the basic contract.

During our review, one activity had recently completed a review of seats managed in preparation for a technology refresh. According to personnel, there were about 100 seats of equipment noted as missing. We reviewed missing, lost, stolen, and damaged (MLSD) equipment reports and found that CTRs could not determine when the seats of equipment went missing. Specifically, reports noted the dates the seats were missing and unknown because seats were issued with "no method of accountability." Additionally, at other locations, MLSD reports were issued as a result of our audit validation. Although the NMCI contract identifies the seats administered as contract-owned equipment, the Marine Corps should have organizational procedures in place requiring personnel to monitor and oversee seats located at commands. As noted earlier, the 1st Marine Division, Commanding General's Policy Letter 4-06 of 31 March 2006, stated although NMCI equipment is not Marine Corps Property, strict accountability of on-hand assets and visibility of allowance items is critical and must be maintained.

We performed additional testing at five locations selected for review. At MCB Quantico, we judgmentally selected 352 seats for existence. Our analysis showed that 149 (42.3 percent) could not be validated. For the remaining four locations — MCB Camp Lejeune, MCAS Cherry Point, MCB Camp Pendleton, and MCAS Miramar — we systematically sampled 526 seats totaling approximately \$1.8 million per year. We found that 171 (32.5 percent) totaling about \$605,000 could not be validated. The above should be interpreted as the actual dollar amount spent by the Marine Corps on assets in our sample that could not be validated. Certifying officials should have visibility over assets managed to ensure accurate billing from contractors.

Asset Reconciliation. We performed tests of data maintained in the e-Marketplace database in order to reconcile invoices billed for FYs 2006 and 2007. We found that data needed for our review were inconsistent and incomplete. For example, we compared

contract line item numbers (CLINs) for the 193 invoices randomly selected from e-Marketplace totaling \$6.4 million to those listed in the e-Marketplace Asset Center module and the NMCI Enterprise Tool (NET) database. The Asset Center module provides NMCI seat support data including CLIN and asset information. We found total assets managed in the Asset Center module within e-Marketplace were approximately 30 percent less than those invoiced during each fiscal year. Results are detailed in Table 1.

CLIN Comparison		
Source	CLIN Seat Quantity	Billing Cost
e-Marketplace	42,308	\$6,478,978
Asset Center	30,830	\$4,497,350
NMCI Enterprise Tool	36,444	\$7,685,606

Table 1

Additional Testing. As a result, we used data mining to perform additional testing of data within the e-Marketplace Asset Center module. We analyzed a stratified random sample of NMCI-related invoices from MCB Camp Pendleton, MCB Camp Lejeune, MCAS Miramar, and MCAS Cherry Point. A total of 71 invoices were selected from FY 2007 and 70 invoices from FY 2006. For each invoice, auditors examined whether NMCI seat support data, such as seat identification, was available in the e-Marketplace database. The results of this work was then used to project to the approved FY 2006 and FY 2007 NMCI invoices from MCB Camp Pendleton, MCB Camp Lejeune, MCAS Miramar, and MCAS Cherry Point. The analysis was carried out using the stratified attribute sampling method with the FY 2006 and FY 2007 serving as strata. The total universe for these locations was 1,708 invoices for FY 2007 and 3,121 invoices for FY 2006. The results are presented in Table 2.

NMCI Seat Data Missing			
Description	Lower Bound	Point Estimate	Upper Bound
Percent of invoices without NMCI seat support data in the e-Marketplace database for FY 2006 and FY 2007	24.2	30.9	37.6

Table 2

Analysis and Interpretation. Based on the sample results, we project with 90 percent confidence that between 24.2 percent and 37.6 percent of the 4,829 invoices reviewed

will not have applicable seat support data in the e-Marketplace database, with a point estimate¹ of 37.6 percent. The FY 2006 and FY 2007 approved invoices were combined for this analysis. The rate of missing NMCI seat support data for FY 2006 is notably larger than the missing asset data for FY 2007 (38.6 percent versus 16.9 percent). The difference between these two groups was found to be statistically significant at the 90 percent confidence level.

Account Management Tool

As we have noted in this report, account management for NMCI accounts and seats needs improvement. Senior Marine Corps management stated in our closing meeting 4 September 2008 that one of the main causes of these problems was the lack of an account management tool. Documentation provided by the Marine Corps indicated that at least since May 2006, efforts were made to coordinate with the Program Manager NMCI and EDS to promote the need for an effective account management tool. We were not able to substantiate all assertions made by Marine Corps representatives within the requests to EDS and the PM NMCI office.

In an 18 September 2007 memorandum to the Program Manager NMCI, the Marine Corps reported that they could not properly accept/validate invoices for account overages as valid until acceptable processes and tools exist. Further, the lack of an enterprise tool hindered the ability to effectively monitor, track, report, and deactivate inactive user accounts. As a result, per the memorandum, the Marine Corps experienced increased account management issues, such as account overages, excessive and unplanned costs, and potential anti-deficiency situations. As reported in our findings, these deficiencies and weaknesses still exist within the NMCI invoice approval process. An account management tool could help the Marine Corps in the management of NMCI invoices and strengthen related internal controls.

Summary and Impact

Opportunities exist to improve the NMCI seat management process. Risks of incurring unnecessary costs will continue to escalate in the Marine Corps because internal controls over seat management are weak. Improvements are needed to ensure that certifying officials verify the accuracy of seats and/or services managed within the Asset Center module to minimize errors, ensure accurate billing, and adherence to contract requirements. E-Marketplace is the authoritative source for billing and ordering of seats within DON for the NMCI contract. Establishing an effective NMCI seat management program, including account management tools and processes, will reduce future risk within the Marine Corps for loss or misuse of Government resources and acquiring and

¹ A point estimate is a statistically based projected estimate that is a single numerical value within a range.

paying for goods and services not needed. Throughout the audit, we kept senior management informed of the conditions noted, please see Exhibit B.

Recommendations and Corrective Actions

We made recommendations to CMC and the Program Manager (PM) NMCI.

- The Marine Corps provided their original responses on 11 December 2008; after discussions with the Naval Audit Service, the Marine Corps provided revised responses to Recommendations 1 and 3-7 on 27 April 2009. The summarized responses below, and our comments on the responses, reflect the applicable (original/revised) response. The full text of the Marine Corps responses is in Appendixes 1 and 2. In addition, the Marine Corps provided comments on the report; those summarized comments and the Naval Audit Service response to them are presented below.
- The Program Executive Office for Enterprise Information Systems (PEO-EIS) responded for PM NMCI. The summarized PEO-EIS response is below, along with our comments. The full text of the PEO-EIS management response is in Appendix 3.

We recommend that CMC ensure that all Marine Corps activities:

Recommendation 1. Ensure compliance with supply level inventory requirements for NMCI seats in the custody of Marine Corps managers.

Marine Corps response to Recommendation 1. Concur. CMC will ensure compliance with supply level inventory requirements for NMCI seats in the custody of Marine Corps managers. Until a seat management/account management tool is available, CMC will (1) initially release a “Best Practices” message by July 2009, and (2) enforce compliance by developing and implementing a policy. Estimated date of release of said policy will be September 2009. A seat management/account management tool is estimated to be available by October 2009 which will improve the account management for NMCI accounts and seats.

Naval Audit Service comment on response to Recommendation 1. The actions planned meet the intent of the recommendation. We consider this recommendation open.

Recommendation 2. Redistribute or cancel NMCI seats identified as excess to requirements and put funds resulting from any cost avoidances to other use. Report to Naval Audit Service funds identified.

Marine Corps response to Recommendation 2. Partially concur. We concur with the recommendation to remove accounts for personnel that are retired or no longer supporting the service. It is not in the best interest of the Marine Corps to deactivate accounts for deployed or transferred users. CTRs cannot deactivate accounts during deployment because many deployed personnel have their NMCI e-mail forwarded to their deployed account. When personnel are transferred, accounts are transferred to the gaining command, rather than deleted/deactivated, to prevent unnecessary delay in personnel being able to be fully effective and efficient when reporting to their new assignment.

To assist in account management, the Marine Corps has submitted 10,460 accounts for deactivation thus far in FY 2009, submitted 28,076 accounts for deactivation in FY 2008, and submitted 8,561 accounts for deactivation in September 2007. Estimated savings for FY 2008 for accounts that would have been over the earned amount without deactivations is over \$3.6 million.

Naval Audit Service comment on response to Recommendation 2. The actions planned meet the intent of the recommendation. The Marine Corps identified cost avoidances of \$3.6 million in FY 2008. While we did identify, in the finding, the potential cost avoidances associated with deactivating accounts of deployed users, our recommendation does not specifically recommend that such accounts be deactivated. However, as noted in our comments to the Marine Corps response to Recommendation 6, the Marine Corps still needs to put policy in place specifying when accounts should be deleted, disabled, or terminated. We consider this recommendation open pending Marine Corps' completion of FY 2009 actions to identify and deactivate excess accounts. We are assigning a target completion date of 1 October 2009 and ask that the Marine Corps report back to us at that time on the total number and dollar value of excess accounts deactivated in FY 2009 over and above the \$3.6 million in cost avoidances already identified for FY 2008.

Recommendation 3. Establish procedures needed to ensure that Marine Corps managers maintain records of property for NMCI seats.

Marine Corps response to Recommendation 3. Concur. CMC will establish procedures needed to ensure that Marine Corps managers maintain records of property for NMCI seats. Until a seat management/account management tool is available, CMC will (1) initially release a "Best Practices" message by July 2009,

and (2) enforce compliance by developing and implementing a policy. Estimated date of release of said policy will be September 2009. A seat management/account management tool is estimated to be available by October 2009 which will improve the account management for NMCI accounts and seats.

Naval Audit Service comment on response to Recommendation 3. The actions planned meet the intent of the recommendation. We consider this recommendation open.

Recommendation 4. Establish standard procedures for periodic monitoring, oversight, documenting, and reporting of NMCI seats.

Marine Corps response to Recommendation 4. Concur. CMC will establish standard procedures for periodic monitoring, oversight, documenting, and reporting of NMCI seats. Until a seat management/account management tool is available, CMC will (1) initially release a “Best Practices” message by July 2009, and (2) enforce compliance by developing and implementing a policy. Estimated date of release of said policy will be September 2009. A seat management/account management tool is estimated to be available by October 2009 which will improve the account management for NMCI accounts and seats.

Naval Audit Service comment on response to Recommendation 4. The actions planned meet the intent of the recommendation. We consider this recommendation open.

Recommendation 5. Develop procedures to report changes in the status of accounts and identify active users, deployed personnel, and terminated users. Put funds from any resulting cost avoidances to other use and report the cost avoidances to Naval Audit Service.

Marine Corps response to Recommendation 5. Concur. CMC will develop procedures to report changes in the status of accounts and identify active users, deployed personnel, and terminated users. CMC will put funds from any resulting cost avoidance to other use and report the cost avoidances to the Naval Audit Service. Until a seat management/account management tool is available, CMC will (1) initially release a “Best Practices” message by July 2009, and (2) enforce compliance by developing and implementing a policy. Estimated date of release of said policy will be September 2009. A seat management/account management tool is estimated to be available by October 2009 which will improve the account management for NMCI accounts and seats.

Naval Audit Service comment on response to Recommendation 5. The actions planned meet the intent of the recommendation. We consider this recommendation open.

Recommendation 6. Establish policy for disabling, deactivating, and terminating accounts; include coordination between command, financial, and information assurance personnel to ensure services are cancelled.

Marine Corps response to Recommendation 6. Concur. CMC will establish policy for disabling, deactivating, and terminating accounts; include coordination between command, financial, and information assurance personnel to ensure services are cancelled. Until a seat management/account management tool is available, CMC will (1) initially release a “Best Practices” message by July 2009, and (2) enforce compliance by developing and implementing a policy. Estimated date of release of said policy will be September 2009. A seat management/account management tool is estimated to be available by October 2009 which will improve the account management for NMCI accounts and seats.

Naval Audit Service comment on response to Recommendation 6. The actions planned meet the intent of the recommendation. We consider this recommendation open.

Recommendation 7. Establish procedures and internal controls, and provide oversight to ensure that certifying officials verify the accuracy of seats and/or services managed within the e-Marketplace Asset Center module to minimize errors, ensure accurate billing so that the Marine Corps does not pay for unintended seats, and adhere to contract requirements.

Marine Corps response to Recommendation 7. Concur. CMC will establish procedures and internal controls, and provide oversight to ensure that certifying officials verify the accuracy of seats and/or services managed within the e-Marketplace Asset Center to minimize errors, ensure accurate billing so that the Marine Corps does not pay for unintended seats, and adhere to contract requirements. Until a seat management/account management tool is available, CMC will (1) initially release a “Best Practices” message by July 2009, and (2) enforce compliance by developing and implementing a policy. Estimated date of release of said policy will be September 2009. A seat management/account management tool is estimated to be available by October 2009 which will improve the account management for NMCI accounts and seats.

Naval Audit Service comment on response to Recommendation 7. Actions planned meet the intent of the recommendation. We consider this recommendation open.

We recommend that the PM NMCI in coordination with CMC:

Recommendation 8. Develop the account management tools and processes needed to strengthen NMCI invoice management internal controls to reduce future risk within the Marine Corps for loss or misuse of Government resources and acquiring and paying for goods and services not needed.

PEO-EIS response to Recommendation 8. Concur. PM NMCI is developing an Enterprise Accounts Management Tool which will be available to Navy and Marine Corps command representatives in fourth quarter of FY 2009. This tool will allow NMCI command representatives to identify unneeded accounts and request their removal as desired. While this tool solution is under development, PM NMCI has been sponsoring monthly account cleanup efforts by manually identifying potential dormant accounts and deactivating those validated as no longer needed. Approximately 120,000 Navy and 50,000 Marine Corps accounts have been removed since FY 2008, eliminating payment for unnecessary accounts.

Marine Corps response to Recommendation 8. Concur. CMC in coordination with PM NMCI will work to develop the account management tools and processes needed to strengthen NMCI invoice management internal controls to reduce future risk within the Marine Corps for loss or misuse of Government resources and acquiring and paying for goods and services not needed. The estimated completion date for corrective action will be December 2009 in preparation for a Government-operated environment.

Naval Audit Service comment on response to Recommendation 8. The actions planned meet the intent of the recommendation. We commend PEO-EIS for their proactive actions to manually identify and deactivate approximately 170,000 unneeded accounts in advance of developing the Enterprise Accounts Management Tool. We consider this recommendation open for both PEO-EIS and the Marine Corps.

Finding 2: Invoice Approval Process

Synopsis

The NMCI invoice approval process within the Marine Corps has significant internal control weaknesses and opportunities exist for improvement. We reviewed a randomly selected sample of 193 invoices valued at \$6.4 million. Goods and services received for any of the 193 invoices could not be verified. This occurred because supporting documentation needed to validate goods and services received for all of the 193 invoices was missing or incomplete; organization-level NMCI invoice policies and procedures were needed; and NMCI invoice processing training was not effective. As a result, we found Marine Corps personnel may have authorized payments for good and services not received. Without sufficient controls in place, the Marine Corps could have made payments that were questionable, improper, or not compliant with laws and regulations.

Discussion of Details

Background

Invoice Approval Process. NMCI invoices are processed and tracked through e-Marketplace, a Web-based electronic commerce service owned by EDS. It provides for electronic ordering, invoicing, and payment of NMCI services. An invoice represents a claim for payment for specific goods and services or for the provision of goods and services over a defined period. The invoice process used for procuring NMCI seats involves two steps — Pre-invoice and Invoice. According to the NMCI contract, invoices shall represent actual developmental assistance costs incurred. In addition to monthly electronic invoice processing, EDS shall submit itemized data to support each invoice citing each labor category, rate, and number of hours used during that invoice period, which is consistent with the cost proposal. The data must reflect the total amount in e-Marketplace for that invoice.

Pre-Invoice Process. The EDS site manager reports billable and cutover from legacy to NMCI seat quantities of each Contract Line Item Number (CLIN) during the pre-invoicing process. The site CTR reviews the reported order dates, CLIN quantities, dollar amounts, and billable and cutover quantities in pre-invoicing. If the CTR agrees with the information reported, the pre-invoicing is marked validated. EDS records whether all CLINs have full performance or not. If all CLIN seats have full performance, a pre-invoice is submitted for 100 percent. An invoice is generated using the undisputed quantities reported in the pre-invoice by the site CTR and EDS site manager.

Invoice Process. The Contracting Officer Representative (COR) reviews the invoice. Invoices with CLINs eligible for 100 percent payment are approved. An e-mail letter is sent to the COR from EDS for payment certification. The COR reviews and certifies the letter and forwards the letter to Defense Finance and Accounting Service (DFAS). DFAS's responsibilities include processing and paying invoices received in hardcopy and electronic formats.

Program Manager Marine Corps Network and Infrastructure Services (PM MCNIS). The PM MCNIS mission is to acquire quality information technology services for Marine Corps operating forces to accomplish their warfighting mission. This includes: (1) providing financial management services and analyses as well as oversight and analyses of Marine Corps NMCI Enterprise Service Ordering; and (2) ensuring orders are placed accurately and timely, and are in accordance with the NMCI contract. PM MCNIS provides research, analysis, guidance, and schedule planning support to Marine Corps customers. In addition, PM MCNIS serves as the Program Manager NMCI point of contact for Marine Corps Technology Refresh and Conventional Seat Deployment initiatives.

Pertinent Guidance

General Accounting Office, AIMD-00-21.3.1, "The Standards for Internal Control in the Federal Government" November 1999. The Standards state internal control activities help ensure that management's directives are carried out. It further requires activities to maintain documentation of internal controls and that the documentation should be readily available for examination.

DoD 7000.14-R, "Department of Defense Financial Management Regulation," Volume 1 Chapter 3, May 1993. Volume 1, Chapter 3, Key Accounting Requirement 8 states that audit trails permit tracing transactions through a system. Audit trails ensure transactions are properly accumulated, correctly classified, accurately coded, and recorded timely in all affected accounts.

DoD 7000.14-R, "Department of Defense Financial Management Regulation," Volume 10 Chapter 1, March 2002. Volume 10, Chapter 1, Paragraph 010109, Acceptance and Receipt states that acceptance is acknowledgement that supplies or services conform to applicable quality requirements, and may take place before, at time of, or after delivery. Acceptance ordinarily is evidenced by execution of an acceptance certification on an inspection or receiving report form or commercial shipping document or packing list. The receiving report shall be prepared at the time of delivery or completion of services and include the information specified in the Federal Acquisition Regulation 32.905(f).

NMCI Basic Contract (N00024-00-D-6000) 6 October 2000. Paragraph 4.1, Acceptance by the Government, states acceptance or rejection of all services under this contract shall be accomplished by the COR. Upon the contractor's demonstration of successful performance as measured against the contract requirements, the COR will sign an inspection and receiving document attesting to acceptance of services performed by the contractor.

Audit Results

Opportunities exist to improve the NMCI invoice approval and payment processes within the Marine Corps. Internal controls in place were insufficient and audit trails were incomplete or missing as required by regulatory guidance. We could not verify the receipt of goods and services received for any of the 193 invoices valued at \$6.4 million randomly selected for review. Supporting documentation needed to validate the receipt of goods and services was absent or incomplete. Additionally, Marine Corps-level NMCI invoice policies and procedures had not been established; effective monitoring and oversight procedures were not in place; and invoice process training was not effective. As a result, the Marine Corps faces a higher than necessary risk of paying for goods and services not received.

Supporting Documentation

We were not able to trace and reconcile selected sample invoice balances to source documentation because records were not available. A sample of 193 invoices valued at \$6.4 million was randomly selected using data-mining techniques from the 28,348 Marine Corps approved Fiscal Years 2006 and 2007 invoices valued at \$487.3 million identified in the e-Marketplace database. To validate for completeness, we systemically selected 878 NMCI seats from the 193 invoices selected. This issue is discussed in Finding 1.

We attempted to obtain documentation of data recording methods, proof of performance, and other relevant reports. The supporting documentation and the audit trails needed to validate the accuracy, completeness, or existence of NMCI goods and services received was often missing or incomplete. Our review showed the supporting documentation provided for all the invoices sampled could not be used to determine whether there was proper receipt and acceptance or existence, completeness, and accuracy of property received.

Supporting documentation was limited to various e-mails from EDS to site managers or designated CTRs identifying a total of seats or services installed for a particular period. None of the e-mails presented included a complete list of seats ordered and delivered or specific asset tag numbers needed to perform testing and reconciliation during our

review. The DoD Financial Management Regulation (DoD 7000.14-R) states that audit trails permit tracing transactions through a system and all invoice payments should be accompanied by a valid receipt and acceptance of goods and services received.

Governing Policy and Procedures

Marine Corps-level policy and procedures were needed for managing, validating, and reviewing NMCI invoices for payment. Locally developed procedures were inconsistent, non-standard, and incomplete at the Marine Corps activities visited. CORs did not maintain supporting documentation for goods or services received to dispute discrepancies. There were no standard procedures for maintaining complete documentation, recording, or tracking NMCI assets. If documentation was available, the COR and CTR would have assurance of the location of assets and that invoices quantities and rates were accurately billed for payment. According to the NMCI contract, Marine Corps personnel were not responsible for asset management. However, personnel involved in the approval process should maintain accountability over assets and accounts managed at each location. The Standards for Internal Control in the Federal Government detail various internal control procedures that should be in use. Effective policies and procedures are among these key controls. Insufficient procedures increase the likelihood of errors and misstatements.

Monitoring and Oversight

Effective monitoring and oversight procedures were not implemented at the activities audited. According to activity personnel, invoices that were static, or reoccurred monthly, represented a duplication of review. Typically, in their opinion, repeat invoices would not warrant a review unless there was a change in the quantity ordered or delivered. Therefore, little or no review occurred during this phase of the process. We found that this created a problem for new personnel responsible for managing seats ordered or monitoring goods and/or services received. Without periodic reviews, the ability to detect or dispute errors occurring in the billing process is limited. CTRs could potentially validate invoices for services no longer needed because seat equipment was missing or lost; or inventory was maintained in excess of seat requirements. Effective oversight is necessary and should consist of, among other things, monitoring and reviewing invoices to ensure compliance with command policies and procedures; and evaluating risks and vulnerabilities.

Segregation of Duties

We interviewed 25 CORs and CTRs involved in the invoice approval process and identified key functions that were not segregated between staff. Based on interviews conducted, we found that 1 of 5 CORs and 10 of 20 CTRs were originating orders and

validating invoices for payment. The number of seats managed varied at each location ranging from about 100 seats to more than 7,500. Variations in seats allocated between certifying officials could be the key difference in the effectiveness and efficiency of controls implemented at an activity.

As stated in the “Standards for Internal Control in the Federal Government,” November 1999, key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

Training

There was no formal training program established for CTRs. Training was not required and the training that was made available was a general overview of the invoice approval process through e-Marketplace database. Training was limited to PowerPoint slides and or weekly teleconference calls; attendance was not required. Due to lack of training, new personnel relied on previously paid invoices to review and validate current invoices submitted for payment. Therefore, a CTR’s validation with no invoice reviews performed, could initiate a series of payments authorized at the COR level for services that are no longer supported or needed to support mission requirements. The pre-invoice validation, when performed, provides assurance to the COR that the invoice is valid for payment of services. Procedures for CTRs varied at Marine Corps activities. For example, CTRs were not validating number of billed seats versus actual; not validating correct level of service provided to what was billed; and not verifying charges were stopped when individuals left the organization or were deployed, among others.

Summary and Impact

Opportunities exist to improve the NMCI invoice approval process within the Marine Corps. Without sufficient controls in place, the Marine Corps continues to face the risk that payments could be authorized for goods and services not received. A plan of action and milestones addressing each of the issues addressed in this finding should be established and executed, and continuous oversight should be provided to ensure invoice approval controls are established and implemented and related weaknesses identified and eliminated.

Recommendations and Corrective Actions

The Marine Corps provided their original responses on 11 December 2008; after discussions with the Naval Audit Service, the Marine Corps provided revised responses

to Recommendations 9 and 12 on 27 April 2009. The summarized responses below, and our comments on the responses, reflect the applicable (original/revised) response. The full text of the Marine Corps responses is in Appendixes 1 and 2.

We recommend that CMC:

Recommendation 9. Develop the Marine Corps policies and procedures needed for managing, validating, and reviewing NMCI invoices for payment as provided by the Standards for Internal Control in the Federal Government.

Marine Corps response to Recommendation 9. Concur. CMC will develop the Marine Corps policies and procedures needed for managing, validating, and reviewing NMCI invoices for payment as provided by the Standards for Internal Control in the Federal Government. Until a seat management/account management tool is available, CMC will (1) initially release a “Best Practices” message by July 2009, and (2) enforce compliance by developing and implementing a policy. Estimated date of release of said policy will be September 2009. A seat management/account management tool is estimated to be available by October 2009 which will improve the account management for NMCI accounts and seats.

Naval Audit Service comment on response to Recommendation 9. The actions planned meet the intent of the recommendation. We consider this recommendation open.

We recommend that CMC direct that Marine Corps activities:

Recommendation 10. Establish the internal controls needed to ensure sufficient audit trails for receipt of goods and services under the NMCI contract are documented. Specifically, ensure that proof of performance and certification of receipt and acceptance are maintained as required by the DoD 7000.14-R, Volume 10, Paragraph 010109 and the NMCI Basic Contract.

Marine Corps response to Recommendation 10. Concur. CMC will work with PM NMCI to establish internal controls needed to ensure sufficient audit trails for receipt of goods and services under the NMCI contract are documented. The estimated completion date for corrective action will be December 2009 in preparation for a Government-operated environment.

Naval Audit Service comment on response to Recommendation 10. The actions planned meet the intent of the recommendation. We consider this recommendation open. Because the planned corrective actions are more than

6 months in the future, we request that the Marine Corps provide us with a status report on the planned corrective actions by 31 August 2009.

Recommendation 11. Establish and implement the monitoring and oversight needed to ensure NMCI invoice approval process compliance with regulatory requirements.

Marine Corps response to Recommendation 11. Concur. CMC will work with PM NMCI and PEO-EIS regarding the establishment and implementation of the monitoring and oversight needed to ensure NMCI invoice approval process compliance with regulatory requirements as the CMC works under their guidance. The estimated completion date for corrective action will be December 2009 in preparation for a Government-operated environment.

Naval Audit Service comment on response to Recommendation 11. The actions planned meet the intent of the recommendation. We consider this recommendation open. Because the planned corrective actions are more than 6 months in the future, we request that the Marine Corps provide us with a status report on the planned corrective actions by 31 August 2009.

Recommendation 12. Establish policy to ensure that key functions — ordering, validating, and authorizing payments — of the invoice approval process are segregated among certifying officials as required by the Standards for Internal Control in the Federal Government.

Marine Corps response to Recommendation 12. Concur. CMC will establish policy to ensure that key functions; ordering, validating, and authorizing payments; of the invoice approval process are segregated among certifying officials as required by the Standards for Internal Control in the Federal Government. Until a seat management/account management tool is available, CMC will (1) initially release a “Best Practices” message by July 2009, and (2) enforce compliance by developing and implementing a policy. Estimated date of release of said policy will be September 2009. A seat management/account management tool is estimated to be available by October 2009 which will improve the account management for NMCI accounts and seats.

Naval Audit Service comment on response to Recommendation 12. The actions planned meet the intent of the recommendation. We consider this recommendation open.

Recommendation 13. Develop the NMCI invoice processing training plan needed for the CTRs.

Marine Corps response to Recommendation 13. Concur. CMC continues to provide training to the field via weekly Brown Bags, biweekly roundtables, and

biannual NMCI conferences. CMC will work with PM NMCI to make training mandatory for all personnel in the NMCI ordering and invoicing process to ensure they are following the latest rules and regulations. CMC will work with PM NMCI in developing a MARADMIN stating that all personnel involved in the ordering and invoicing process must attend mandatory training. The estimated completion date for distribution will be March 2009.

Naval Audit Service comment on response to Recommendation 13. In subsequent communication, the Marine Corps provided an updated target completion date of 31 July 2009. The actions planned meet the intent of the recommendation. We consider this recommendation open.

Section B:

Status of Recommendations and Funds Potentially Available for Other Use

RECOMMENDATIONS								FUNDS POTENTIALLY AVAILABLE (In \$000s)				
Finding ²	Rec. No.	Page No.	Subject	Status ³	Action Command	Interim Target Completion Date	Target or Actual Completion Date	Category ⁴	Claimed Amount	Agreed To	Not Agreed To	Appropriation ⁵
1	1	10	Ensure compliance with supply level inventory requirements for NMCI seats in the custody of Marine Corps managers.	O	CMC		9/30/09					
1	2	11	Redistribute or cancel NMCI seats identified as excess to requirements and put funds resulting from any cost avoidances to other use. Report to Naval Audit Service funds identified.	O	CMC		10/1/09	A	3,600	3,600		
1	3	11	Establish procedures needed to ensure that Marine Corps managers maintain records of property for NMCI seats.	O	CMC		9/30/09					

² / + = Indicates repeat finding

³ / O = Recommendation is open with agreed-to corrective actions; C = Recommendation is closed with all action completed; U = Recommendation is undecided with resolution efforts in progress

⁴ / A = One-time potential funds put to other use; B = Recurring potential funds put to other use for up to 6 years; C = Indeterminable/immeasurable

⁵ / = Includes appropriation (and subhead if known)

RECOMMENDATIONS								FUNDS POTENTIALLY AVAILABLE (In \$000s)				
Finding ²	Rec. No.	Page No.	Subject	Status ³	Action Command	Interim Target Completion Date	Target or Actual Completion Date	Category ⁴	Claimed Amount	Agreed To	Not Agreed To	Appropriation ⁵
1	4	12	Establish standard procedures for periodic monitoring, oversight, documenting, and reporting of NMCI seats.	O	CMC		9/30/09					
1	5	12	Develop procedures to report changes in the status of accounts and identify active users, deployed personnel, and terminated users. Put funds from any resulting cost avoidances to other use and report the cost avoidances to Naval Audit Service.	O	CMC		9/30/09	C				
1	6	13	Establish policy for disabling, deactivating, and terminating accounts; include coordination between command, financial, and information assurance personnel to ensure services are cancelled.	O	CMC		9/30/09					

RECOMMENDATIONS								FUNDS POTENTIALLY AVAILABLE (In \$000s)				
Finding ²	Rec. No.	Page No.	Subject	Status ³	Action Command	Interim Target Completion Date	Target or Actual Completion Date	Category ⁴	Claimed Amount	Agreed To	Not Agreed To	Appropriation ⁵
1	7	13	Establish procedures and internal controls, and provide oversight to ensure that certifying officials verify the accuracy of seats and/or services managed within the e-Marketplace Asset Center module to minimize errors, ensure accurate billing so that the Marine Corps does not pay for unintended seats, and adhere to contract requirements.	O	CMC		9/30/09					
1	8	14	Develop the account management tools and processes needed to strengthen NMCI invoice management internal controls to reduce future risk within the Marine Corps for loss or misuse of Government resources and acquiring and paying for goods and services not needed.	O O	PM NMCI CMC		9/30/09 9/30/09					
2	9	20	Develop the Marine Corps policies and procedures needed for managing, validating, and reviewing NMCI invoices for payment as provided by the Standards for Internal Control in the Federal Government.	O	CMC		9/30/09					

RECOMMENDATIONS								FUNDS POTENTIALLY AVAILABLE (In \$000s)				
Finding ²	Rec. No.	Page No.	Subject	Status ³	Action Command	Interim Target Completion Date	Target or Actual Completion Date	Category ⁴	Claimed Amount	Agreed To	Not Agreed To	Appropriation ⁵
2	10	20	Direct that Marine Corps activities establish the internal controls needed to ensure sufficient audit trails for receipt of goods and services under the NMCI contract are documented. Specifically, ensure that proof of performance and certification of receipt and acceptance are maintained as required by the DoD 7000.14-R, Volume 10, Paragraph 010109 and the NMCI Basic Contract.	O	CMC	8/31/09	12/31/09					
2	11	21	Direct that Marine Corps activities Establish and implement the monitoring and oversight needed to ensure NMCI invoice approval process compliance with regulatory requirements.	O	CMC	8/31/09	12/31/09					
2	12	21	Direct that Marine Corps activities Establish policy to ensure that key functions — ordering, validating, and authorizing payments — of the invoice approval process are segregated among certifying officials as required by the Standards for Internal Control in the Federal Government.	O	CMC		9/30/09					

RECOMMENDATIONS								FUNDS POTENTIALLY AVAILABLE (In \$000s)				
Finding ²	Rec. No.	Page No.	Subject	Status ³	Action Command	Interim Target Completion Date	Target or Actual Completion Date	Category ⁴	Claimed Amount	Agreed To	Not Agreed To	Appropriation ⁵
2	13	21	Direct that Marine Corps activities Develop the NMCI invoice processing training plan needed for the CTRs.	O	CMC		7/31/09					

Exhibit A:

Background

The Navy Marine Corps Intranet (NMCI) provides the Department of the Navy (DON) with a full range of network-based information services on a single, enterprise-wide Intranet. The contract was awarded in October 2000. NMCI provides voice, video, and data services. The NMCI contract provides network services to the individual users via seats. Each individual's seat is counted against the person's activity's total allocation.

NMCI Contract

The NMCI contract is an indefinite delivery/indefinite quantity firm-fixed-price type of contract providing for placement of fixed unit price task orders for various categories of information technology services by Navy and Marine Corps commands. Through this contract, the DON is replaced independent local and wide area networks with a single network and related desktop hardware and software that are owned by the contractor. Among other things, the contractor is to provide voice, video, and data services; infrastructure improvements; and customer service. This type of contract is commonly referred to as "seat management." Generally speaking, under seat management, contractor-owned desktop and other computing hardware, software, and related services are bundled and provided on the basis of a fixed price per unit (or seat). A data seat is comprised of the hardware, software, security features and services provided to the NMCI user as computing resources. The data seats are defined as fixed workstation, portable, embarkable, embarkable portable, and hybrid. Two user accounts are included with each non-classified data seat. User accounts can be accessed from any NMCI workstation. Services are provided to seats, which may include multiple user accounts. Invoices are processed and tracked through e-Marketplace.

e-Marketplace

E-Marketplace, a Web-based electronic commerce service owned by Electronic Data Systems (EDS), provides for electronic ordering, invoicing, and payment of NMCI services. The service includes, but should not be limited to, the capability to create orders in database format in accordance with Department of Defense Form Standards; capability for internal review and approval of orders by the Government ordering approval authority prior to placement; capability to track order status to invoice and payment status; automated Contracting Officer Representative acceptance of delivered services; and a searchable database containing financial memorandum records on commitments, obligations, accrued costs and expenditures for each ordered segment.

NMCI Program Management Structure

Various organizations in the DON are responsible for NMCI management and oversight. The DON CIO is responsible for overall IT policy. The Program Executive Officer for Enterprise Information Systems (PEO-EIS), along with the NMCI program manager, is responsible for NMCI acquisition and contract management. The following are responsible for managing the contract/ task orders applicable to the NMCI contract for the Marine Corps:

Headquarters Marine Corps (C4⁶). Director C4/Marine Corps CIO is responsible for planning, directing, coordinating, and overseeing C4 and information technology capabilities that support the warfighting functions. The Department influences the combat development process by establishing policies and standards for developing the enterprise architecture.

Marine Corps Systems Command. The Marine Corps Systems Command serves as the Commandant of the Marine Corps' principal agent for acquisition and sustainment of systems and equipment used by the operating forces to accomplish their warfighting mission.

Program Manager Marine Corps Network and Infrastructure Services (PM MCNIS). The PM MCNIS acquires quality Information Technology services for Marine Corps Operating Forces to accomplish their warfighting mission.

Marine Corps Network Operations and Security Command. The Marine Corps Network Operations and Security Command provides global network operations and computer network defense of the Marine Corps Enterprise Network in order to facilitate seamless information exchange in support of Marine and joint forces operating worldwide. The Marine Corps Network Operations and Security Command is the activity primarily responsible for network operations management in the Marine Corps.

⁶ Command, Control, Communications, and Computers

Exhibit B:

Reason for Audit, Scope, and Methodology

Reason for Audit

The audit objectives were to verify that internal controls and procedures were in place for the invoice approval processes that ensured the Marine Corps was authorizing payment only for services provided and received under the Navy Marine Corps Intranet (NMCI) contract.

The Department of the Navy (DON) annual risk assessments for Fiscal Years 2007 and 2008 identified the NMCI program as a high-risk area within the DON. Specifically, Headquarters Marine Corps, Command, Control, Communications, and Computers (C4) requested this audit because of vulnerabilities in the invoice approval process for goods and services received on the NMCI contract.

Scope

This report summarizes information regarding our audit of the NMCI invoice approval process within the Marine Corps for Fiscal Years 2006 and 2007 valued at \$487.3 million. We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit work began 6 November 2007 and was completed 30 September 2008. Our audit was performed at Marine Corps Base (MCB) Quantico, VA; MCB Camp Lejeune, NC; MCB Camp Pendleton, CA; Marine Corps Air Station (MCAS) Cherry Point, NC; MCAS Miramar, CA; Marine Corps Recruit Depot, San Diego, CA; and Marine Corps Forces Command (MARFORCOM) located at Naval Station Norfolk, VA. For a list of the activities visited or contacted, see Exhibit C.

Communication with Management. Throughout the audit, we kept senior management officials from DON Chief Information Officer (DON CIO), HQMC C4, Program Manager NMCI, and select Marine Corps activities, see Exhibit C, informed of the conditions noted. Specifically, we held opening, interim, and closing conferences with

Marine Corps Deputy Chief Information Officer/G6 Headquarters and key personnel on 16 October 2007, 6 March 2008, and 4 September 2008, respectively. We briefed the audit's background, scope and methodology, criteria, audit issues, remaining work, and audit milestones. On 24 April 2008, we held discussions with the Office of the DON CIO, and the Director of Business of Operations, Program Manager NMCI for status of audit results on the Marine Corps invoice approval process. Closing conferences were held with the Office of the DON CIO on 18 September 2008, and the Program Manager NMCI on 24 September 2008.

From 6 November 2007 through 5 May 2008 while we were still onsite at the following Marine Corps locations: Quantico; Camp Lejeune; Camp Pendleton, MCAS Cherry Point; MCAS Miramar; Marine Corps Recruit Depot; and MARFORCOM at Naval Station Norfolk, we met with the Marine Corps Comptroller, Chief of Staff, MCI-West, Assistant Chief of Staff- G6, Administrative Contract Office, Regional Contracting Officer Representatives, Resource, Evaluations, and Analysis personnel, Financial Management analysts, and activity audit liaisons and kept them informed of the problems found with the invoice approval process at each activity.

Methodology

We used the Electronic Data Systems-owned e-Marketplace database to select our sample of approved invoice payments. Using data-mining techniques, we obtained a database from the database of 28,348 Marine Corps approved NMCI contract payments for Fiscal Years 2006 and 2007 valued at \$487.3 million. We selected a random sample from the database of 193 invoices valued at \$6.4 million that dated from October 2005 through August 2007. We analyzed the selected invoices to determine whether internal controls over the invoice approval process provided reasonable assurance that the payments were properly authorized for services receive on the NMCI contract.

We tested the database for completeness and found discrepancies in with the total quantities invoiced and accounted for in the database. Evaluating the completeness did not affect the results of the audit.

This audit utilized an extensive audit program guide based on laws, instructions, messages, and other authoritative Government sources to audit internal controls. We assessed compliance with legal and regulatory requirements, and evaluated related internal controls to verify that controls operated effectively and provided an appropriate level of assurance, and to determine if there were opportunities for systemic improvements in invoice approval management. We obtained and evaluated documentation, including delivery and/or task orders, funding documents and financial reports, pertaining to NMCI invoice processing within the Marine Corps to determine the validity of payments and authorizations.

The auditors also coordinated with Marine Corps personnel to locate missing supporting documentation. We randomly selected assets (laptops, desktops, and Blackberries) to evaluate completeness, and existence of inventory. We discussed procedural issues with the Headquarters Marine Corps, Command, Control, Communications and Computers (C4) personnel.

Exhibit C:

Activities Visited and/or Contacted

Washington, DC

- Headquarters, Marine Corps (including C4)
- Department of the Navy Chief Information Officer, Crystal City
- Navy Marine Corps Intranet Program Office

Quantico, VA

- Marine Corps Base Quantico
- Marine Corps Systems Command
- Training and Education Command
- Marine Corps Combat Development Command

Norfolk, VA

- Marine Corps Forces Command

Camp Lejeune, NC

- Marine Corps Base Camp Lejeune
- Marine Corps Forces Command
- Marine Corps Forces, South
- Logistics Command

Cherry Point, NC

- Marine Corps Air Station Cherry Point
- Marine Corps Forces Command

San Diego, CA

- Marine Corps Air Station Miramar
- Marine Forces Pacific
- Marine Forces Reserve
- Marine Corps Recruit Depot
- Marine Corps Recruiting Command

Oceanside, CA

- Marine Corps Base Camp Pendleton
- Marine Corps Forces Command
- Training and Education Command
- Marine Forces Reserve
- Marine Corps Systems Command
- Marine Forces Pacific

Exhibit D:**List of Acronyms**

Acronym	Definition
C4	Command, Control, Communications, and Computers
CIO	Chief Information Officer
CLIN	Contract Line Item Number
CMC	Commandant of the Marine Corps
COR	Contracting Officer Representative
CTR	Customer Technical Representative
DFAS	Defense Finance and Accounting Service
DoD	Department of Defense
DON	Department of the Navy
EDS	Electronic Data System
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FMR	Financial Management Regulations
FY	Fiscal Year
MAC	Move, Add, Change
MARADMIN	Marine Administrative Message (United States Marine Corps)
MARFORCOM	U.S. Marine Corps Forces Command
MCAS	Marine Corps Air Station
MCB	Marine Corps Base
MCO	Marine Corps Order
MLSD	Missing, Lost, Stolen, and Damaged
NET	NMCI Enterprise Tool
NMCI	Navy Marine Corps Intranet
PEO-EIS	Program Executive Office(r) for Enterprise Information Systems
PM MCNIS	Program Manager Marine Corps Networking and Infrastructure Services
SECNAV	Secretary of the Navy

Exhibit E:

FMFIA and FISMA

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) of 1982, as codified in Title 31, United States Code, requires each Federal agency head to annually certify the effectiveness of the agency's internal and accounting system controls. The weaknesses in invoice validation and controls over seat management preclude full compliance with Department of Defense (DoD), Department of the Navy (DON), and Marine Corps policies and guidance. Our recommendations require the Commandant of the Marine Corps (CMC) to establish and implement needed internal controls over Invoice approval process and seat management within the Marine Corps. In our opinion, the weaknesses noted in this report may warrant reporting in the Auditor General's annual FMFIA memorandum identifying management control weaknesses to the Secretary of the Navy.

Federal Information Security Management Act

The Federal Information Security Management Act (FISMA) of 2002 permanently reauthorized the framework laid out in the Government Information Security Reform Act of 2000, which expired in November 2002. Under the provisions of FISMA, DoD must provide Congress with an annual report on DoD's information assurance posture. The DON Chief Information Officer (CIO) submits DON input for the DoD FISMA report. Additionally, FISMA requires an annual independent evaluation of an agency's information security program and practices to determine the effectiveness of such program and practices. The evaluation required by this section may be based in whole or in part on an audit, evaluation, or report relating to programs or practices of the applicable agency. The DON CIO can use this report in partially meeting that requirement.

Appendix 1:

Management Response From Commandant of the Marine Corps



DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
3000 MARINE CORPS PENTAGON
WASHINGTON, DC 20350-3000

IN REPLY REFER TO:
08-0011
RFR-80
11 Dec 08

From: Commandant of the Marine Corps (RFR)
To: Assistant Auditor General for Financial Management
and Comptroller Audits, Naval Audit Service

Subj: NAVAUDSVC DRAFT REPORT - "NAVY MARINE CORPS INTRANET
INVOICE APPROVAL PROCESS WITHIN THE MARINE CORPS,"
Draft Report #N2008-NFA000-0011

Ref: (a) NAVAUDSVC memo 7510/N2008-NFA000-0011 of 30 Sep 08

Encl: (1) Marine Corps comments

1. The reference transmitted the subject draft report for
Marine Corps review and responses. Thank you for the
opportunity to comment. We appreciate Naval Audit Service's
work in developing the report.

2. Marine Corps responses are provided at the enclosure.

3. Point of contact for this matter is [REDACTED]
email [REDACTED] or phone [REDACTED]

[REDACTED]
[REDACTED]
By direction

FOIA (b)(6)

FOIA (b)(6)



UNITED STATES MARINE CORPS
HEADQUARTERS UNITED STATES MARINE CORPS
2 NAVY ANNEX
WASHINGTON, DC 20380-1775

IN REPLY REFER TO:
1000
C4/CP
10 Dec 08

From: Headquarters Marine Corps,
Command, Control, Communications, and Computers,
Network Plans and Policy Division (CP)
To: Headquarters Marine Corps, Programs and Resources,
Audit and Review Branch (RFR)
Subj: NAVY MARINE CORPS INTRANET INVOICE APPROVAL PROCESS
WITHIN THE MARINE CORPS (DRAFT AUDIT REPORT
N2008-NFA000-0011)
Ref: (a) NAVAUDSVC memo 7510/N2008-NFA000-0011, dated 2 Oct 07
(b) SECNAV Instruction 7510.7F, "Department of the Navy
Internal Audit"

1. Reference (a) transmitted the subject draft report
requesting Marine Corps comments.

Marine Corps comments: There is some missing information from
the Audit Report: (1) the audit was requested to find out if
USMC was charged for services/assets that they did not receive
and this was not addressed, and (2) the audit did not give
recommendations on how the USMC can recover government money,
which was requested. Also, the Audit Report does not mention
anything about USMC repeated requests to EDS and PM NMCI in
requesting a seat management tool. USMC has requested the need
for a Seat Management Tool on several occasions and has never
received adequate responses from EDS or PM NMCI:

- Letter dated 20 Dec 2006 from [REDACTED] NMCI
PCO, to [REDACTED] EDS, stating that the Government
needs better data from EDS to validate accounts and
that it was required by the contract.
- Response letter dated 19 Jan 2007 from [REDACTED]
Crouse, EDS Contracts, to [REDACTED] NMCI PCO,
stated that the DoN and EDS had begun working under
mutually agreed business rules for management of user
accounts, and that EDS looks forward to working with
the Government to improve the management of user
accounts (not specifically addressing the 20 Dec 2006
letter).

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Enclosure (1)

Subj: NAVY MARINE CORPS INTRANET INVOICE APPROVAL PROCESS
WITHIN THE MARINE CORPS (DRAFT AUDIT REPORT N2008-NFA000-
0011)

- USMC Position Paper dated 18 Sep 2007 from PM MCNIS to PM NMCI stating the lack of capabilities for the USMC to adequately manage and validate NMCI accounts and invoices that is required by the NMCI contract. USMC recommended a determination by the PCO whether or not EDS is required to provide a management process and a tool, as part of the current contract, to manage NMCI accounts. Requested response by 30 Sep 2007. No Response received.
- Asset Center Deficiencies White Paper dated Oct 2007, written by [REDACTED] PM MCNIS, IS&I MARCORSYSCOM. The White Paper stated that the existing USMC NMCI asset data in EDS owned Asset Center is erroneous and outdated. Asset Center data suffers from inconsistent update processes and lack of synchronization with other Enterprise Information Technology Service Management System (EITSMS) systems. This impacts cost, schedule and performance of USMC NMCI services. Recommendations were made to EDS to resolve the issues.
- There was a Statement of Objectives (SOO) for an account management tool that was awarded and funded by NAVRESFOR in Sep 2007. However, tool was specifically for NAVRESOR and not for the entire enterprise. The comprehensive tool which would be available for the enterprise is covered under RAP 4684 which has not been awarded yet.

FOIA (b)(6)

2. The following comments are provided in response to the Naval Audit Service recommendations:

a. Recommendation 1. Ensure compliance with supply level inventory requirements for NMCI seats in the custody of Marine Corps managers.

Marine Corps Response: Concur. As soon as PM NMCI provides a seat management/account management tool, the Marine Corps managers will comply with supply level inventory requirements for NMCI seats. The estimated completion date for corrective action will be December 2009 in preparation for a government-owned and government-operated environment.

Subj: NAVY MARINE CORPS INTRANET INVOICE APPROVAL PROCESS
WITHIN THE MARINE CORPS (DRAFT AUDIT REPORT N2008-NFA000-
0011)

b. Recommendation 2. Redistribute or cancel NMCI seats identified as excess to requirements and put funds resulting from any cost avoidances to other use. Report to Naval Audit Service funds identified.

Marine Corps Response: Partially concur. We concur with the recommendation to remove accounts for personnel that are retired or no longer supporting the service. We do not concur and it is not in the best interest of the Marine Corps to deactivate accounts for deployed or transferred users, as CTRs cannot deactivate accounts during deployments because many deployed personnel have their NMCI email forwarded to their deployed account. When personnel are transferred, accounts are transferred to the gaining Command vice deleted/deactivated to prevent unnecessary delay in personnel being able to be fully effective and efficient when reporting to their new assignment.

To assist in account management, the Marine Corps has submitted 10,460 accounts for deactivation thus far in FY09, submitted 28,076 accounts for deactivation in FY08, and submitted 8,561 accounts for deactivation in September 2007. Estimated savings for FY08 for accounts that would have been over the earned amount without deactivations is over \$3.6 million.

c. Recommendation 3. Establish procedures needed to ensure that Marine Corps managers maintain records of property for NMCI seats.

Marine Corps Response: Concur. As soon as PM NMCI provides a seat management/account management tool, the Marine Corps will work with PM NMCI to establish procedures needed to ensure that Marine Corps managers maintain records of property for NMCI seats. The estimated completion date for corrective action will be December 2009 in preparation for a government-owned and government-operated environment.

d. Recommendation 4. Establish standard procedures for periodic monitoring, oversight, documenting, and reporting of NMCI seats.

Subj: NAVY MARINE CORPS INTRANET INVOICE APPROVAL PROCESS
WITHIN THE MARINE CORPS (DRAFT AUDIT REPORT N2008-NFA000-
0011)

Marine Corps Response: Concur. As soon as PM NMCI provides a seat management/account management tool, the Marine Corps will work with PM NMCI to establish standard procedures for periodic monitoring, oversight, documenting, and reporting of NMCI seats. The estimated completion date for corrective action will be December 2009 in preparation for a government-owned and government-operated environment.

e. **Recommendation 5.** Develop procedures to report changes in the status of accounts and identify active users, deployed personnel, and terminated users. Put funds from any resulting cost avoidances to other use and report the cost avoidances to Naval Audit Service.

Marine Corps Response: Concur. As soon as PM NMCI provides a seat management/account management tool, the Marine Corps will work with PM NMCI to develop procedures to report changes in the status of accounts and identify active users, deployed personnel, and terminated users, as well as put funds from any resulting cost avoidances to other use and report the cost avoidances to Naval Audit Service. The estimated completion date for corrective action will be December 2009 in preparation for a government-owned and government-operated environment.

f. **Recommendation 6.** Establish policy for disabling, deactivating, and terminating accounts; include coordination between command, financial, and information assurance personnel to ensure services are cancelled.

Marine Corps Response: Partially concur. We concur with the recommendation to remove accounts for personnel that are retired or no longer supporting the service. We do not concur and it is not in the best interest of the Marine Corps to deactivate accounts for deployed or transferred users, as CTRs cannot deactivate accounts during deployments because many deployed personnel have their NMCI email forwarded to their deployed account. When personnel are transferred, accounts are transferred to the gaining Command vice deleted/deactivated to prevent unnecessary delay in personnel being able to be fully effective and efficient when reporting to their new assignment.

Subj: NAVY MARINE CORPS INTRANET INVOICE APPROVAL PROCESS
WITHIN THE MARINE CORPS (DRAFT AUDIT REPORT N2008-NFA000-
0011)

g. Recommendation 7. Establish procedures and internal controls, and provide oversight to ensure that certifying officials verify the accuracy of seats and/or services managed within the e-Marketplace Asset Center module to minimize errors, ensure accurate billing so that the Marine Corps does not pay for unintended seats, and adhere to contract requirements.

Marine Corps Response: Concur. As soon as PM NMCI provides a seat management/account management tool, the Marine Corps will work with PM NMCI to establish procedures and internal controls, and provide oversight to ensure that certifying officials verify the accuracy of seats and/or services managed within the e-Marketplace Asset Center module to minimize errors, ensure accurate billing so that the Marine Corps does not pay for unintended seats, and adhere to contract requirements. The estimated completion date for corrective action will be December 2009 in preparation for a government-owned and government-operated environment.

h. Recommendation 8. Develop the account management tools and processes needed to strengthen NMCI invoice management internal controls to reduce future risk within the Marine Corps for loss or misuse of Government resources and acquiring and paying for goods and services not needed.

Marine Corps Response: Concur. The Commandment of the Marine Corps in coordination with PM NMCI will work to develop the account management tools and processes needed to strengthen NMCI invoice management internal controls to reduce future risk within the Marine Corps for loss or misuse of Government resources and acquiring and paying for goods and services not needed. The estimated completion date for corrective action will be December 2009 in preparation for a government-owned and government-operated environment.

i. Recommendation 9. Develop the Marine Corps policies and procedures needed for managing, validating, and reviewing NMCI invoices for payment as provided by the Standards for Internal Control in the Federal Government.

Subj: NAVY MARINE CORPS INTRANET INVOICE APPROVAL PROCESS
WITHIN THE MARINE CORPS (DRAFT AUDIT REPORT N2008-NFA000-
0011)

Marine Corps Response: Concur. As soon as PM NMCI provides a seat management/account management tool, the Marine Corps will work with PM NMCI to develop the policies and procedures needed for managing, validating, and reviewing NMCI invoices for payment as provided by the Standards for Internal Control in the Federal Government. The estimated completion date for corrective action will be December 2009 in preparation for a government-owned and government-operated environment.

j. **Recommendation 10.** Establish the internal controls needed to ensure sufficient audit trails for receipt of goods and services under the NMCI contract are documented. Specifically, ensure that proof of performance and certification of receipt and acceptance are maintained as required by the DoD 7000.14-R, Volume 10, Paragraph 010109 and the NMCI Basic Contract.

Marine Corps Response: Concur. The Marine Corps will work with PM NMCI to establish internal controls needed to ensure sufficient audit trails for receipt of goods and services under the NMCI contract are documented. The estimated completion date for corrective action will be December 2009 in preparation for a government-owned and government-operated environment.

k. **Recommendation 11.** Establish and implement the monitoring and oversight needed to ensure NMCI invoice approval process compliance with regulatory requirements.

Marine Corps Response: Concur. The Marine Corps will work with PM NMCI and PEO-EIS regarding the establishment and implementation of the monitoring and oversight needed to ensure NMCI invoice approval process compliance with regulatory requirements as the Marine Corps works under their guidance. The estimated completion date for corrective action will be December 2009 in preparation for a government-owned and government-operated environment.

l. **Recommendation 12.** Establish policy to ensure that key functions; ordering, validating, and authorizing payments; of the invoice approval process are segregated among certifying officials as required by the Standards for Internal Control in the Federal Government.

Subj: NAVY MARINE CORPS INTRANET INVOICE APPROVAL PROCESS
WITHIN THE MARINE CORPS (DRAFT AUDIT REPORT N2008-NFA000-
0011)

Marine Corps Response: Concur. Key functions such as ordering, validating, and authorizing payment are fully segregated. CORs are the certifying officials for payment authorization on the NMCI contract and are not part of the ordering process (with the exception of assisting with tool issues). The function of ordering and invoice validation resides with the CTRs. Additionally, billing only occurs in eMarketplace, which interfaces with asset center. No billing occurs in NET. We consider this Recommendation closed.

m. Recommendation 13. Develop the NMCI invoice processing training plan needed for the Customer Technical Representatives.

Marine Corps Response: Concur. The Marine Corps continues to provide training to the field via weekly Brown Bags, Bi-weekly Roundtables, and Bi-Annual NMCI conferences. The Marine Corps will work with PM NMCI to make training mandatory for all personnel in the NMCI Ordering and Invoicing process to ensure they are following the latest rules and regulations. The Marine Corps will work with PM NMCI in developing a MARADMIN stating that all personnel involved in the Ordering and Invoicing process must attend mandatory training. The estimated completion date for distribution of said MARADMIN will be March 2009.

3. This report **does not** contain information that is deemed "For Official Use Only".

[Redacted Signature]

for

FOIA (b)(6)



DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
3000 MARINE CORPS PENTAGON
WASHINGTON, DC 20380-3000

IN REPLY REFER TO:
08-0011
RFR-80
4 Mar 09

From: Commandant of the Marine Corps (P&R (RFR))
To: Assistant Auditor General for Financial Management and
Comptroller Audits, Naval Audit Service

Subj: NAVAUDSVC DRAFT REPORT - "NAVY MARINE CORPS INTRANET
INVOICE APPROVAL PROCESS WITHIN THE MARINE CORPS,"
DRAFT REPORT #N2008-NFA000-0011

Ref: (a) NAVAUDSVC memo 7510/N2008-NFA000-0011 of 30 Sep 08
(b) CMC memo 08-0011/RFR-80 of 11 Dec 08
(c) CMC memo 08-0011/RFR-80 of 25 Feb 09

1. Reference (a) provided the subject draft report for Marine Corps review and comments. Enclosure (1) of reference (b) provided Marine Corps responses to the draft report. Reference (c) provided subsequent correspondence to address Marine Corps recomputed estimates of monetary benefits derived from implementing Naval Audit Service recommendations.

2. In accordance with this memorandum, replace paragraph 3 of reference (c) with paragraph 3 below. All remaining aspects of subsequent correspondence contained herein and in reference (c) remain unchanged.

3. Associated with the Marine Corps response to Recommendation No. 2 contained in reference (b), the Marine Corps concurs with Naval Audit Service's estimated cost avoidances for deactivating seats for personnel that are retired or no longer supporting the service at the Marine Corps' recomputed estimated monetary benefit amount of \$3.6 million.

4. The Marine Corps appreciates the opportunity extended by Naval Audit Service to comment on the report and provide subsequent correspondence.

5. Point of contact for this matter is [REDACTED]
Headquarters Marine Corps Senior Audit Liaison Officer, email
[REDACTED] or phone [REDACTED]

FOIA (b)(6)

FOIA (b)(6)

[REDACTED]
By direction

Appendix 2:

Commandant of the Marine Corps Revised Response to Recommendations 1, 3-7, 9, and 12



DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
3000 MARINE CORPS PENTAGON
WASHINGTON, DC 20350-3000

IN REPLY REFER TO:
7510
RFR-80
27 Apr 09

From: Commandant of the Marine Corps (P&R (RFR))
To: Assistant Auditor General for Financial Management and
Comptroller Audits, Naval Audit Service

Subj: NAVAUDSVC DRAFT REPORT - "NAVY MARINE CORPS INTRANET
INVOICE APPROVAL PROCESS WITHIN THE MARINE CORPS,"
DRAFT REPORT #N2008-NFA000-0011

Ref: (a) NAVAUDSVC memo 7510/N2008-NFA000-0011, dtd 30 Sep 2008
(b) CMC (RFR) memo 08-0011/RFR-80, dated 11 Dec 08
(c) NAVAUDSVC memo 7510/N2008-NFA000-0011, dated Xx Mar 09
(d) SECNAV Instruction 7510.7F, "Department of the Navy
Internal Audit"

Encl: (1) Marine Corps comments

1. Reference (a) transmitted the subject draft audit report requesting Marine Corps comments. Reference (b) provided Marine Corps official comments to the subject draft audit report. Reference (c) transmitted a pre-final draft audit report containing reference (b) and requested CMC reconsideration of official comments to audit recommendations 1, 3 through 7, 9, and 12. Reference (d) addresses the conduct of audits and subsequent responses to draft and final audit reports within the Department of the Navy.

2. CMC reconsideration of official comments to audit recommendations 1, 3 through 7, 9, and 12 are provided at the enclosure. Of additional note, enclosure (1), page 1, Ref (a) refers to NAVAUDSVC memo 7510/N2008-NFA000-0011, dtd 30 Sep 2008, not NAVAUDSVC memo 7510/N2008-NFA000-0011, dtd 2 Oct 07.

3. The Marine Corps appreciates the opportunity extended by Naval Audit Service to comment on the report and provide subsequent correspondence.

4. Point of contact for this matter is [REDACTED]
Headquarters Marine Corps Senior Audit Liaison Officer, email
[REDACTED] or phone [REDACTED]

[REDACTED]
[REDACTED]
By direction

FOIA (b)(6)

FOIA (b)(6)



DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
3000 MARINE CORPS PENTAGON
WASHINGTON, DC 20380-3000

IN REPLY REFER TO:

7510
HQMC C4
23 April 2009

From: Headquarters Marine Corps,
Command, Control, Communications, and Computers
To: Headquarters Marine Corps, Programs and Resources
Subj: NAVY MARINE CORPS INTRANET INVOICE APPROVAL PROCESS
WITHIN THE MARINE CORPS (DRAFT AUDIT REPORT
N2008-NFA000-0011)
Ref: (a) NAVAUDSVC memo 7510/N2008-NFA000-0011, dated 2 Oct 07
(b) CMC (RFR) memo 08-0011/RFR-80, dated 11 Dec 08
(c) NAVAUDSVC memo 7510/N2008-NFA000-0011, dated Xx Mar 09
(d) SECNAV Instruction 7510.7F, "Department of the Navy
Internal Audit"

1. Reference (a) transmitted the subject draft audit report requesting Marine Corps comments. Reference (b) provided Marine Corps official comments to the subject draft audit report. Reference (c) transmitted a pre-final audit report containing reference (b) and requested CMC reconsideration of official comments to audit recommendations 1, 3 through 7, 9, and 12. Reference (d) addresses the conduct of audits and subsequent responses to draft and final audit reports within the Department of the Navy.

2. The following comments are provided in reconsideration of initial responses to the Naval Audit Service recommendations 1, 3 through 7, 9, and 12:

a. Recommendation 1. CMC ensure compliance with supply level inventory requirements for NMCI seats in the custody of Marine Corps managers.

Initial Marine Corps Response: Concur. As soon as PM NMCI provides a seat management/account management tool, the Marine Corps managers will comply with supply level inventory requirements for NMCI seats. The estimated completion date for corrective action will be December 2009 in preparation for a Government-operated environment.

Revised Marine Corps Response: Concur. CMC will ensure compliance with supply level inventory requirements for NMCI seats in the custody of Marine Corps managers. Until a seat management/account management tool is available, CMC will (1) initially release a "Best Practices" message by July 2009, and

Enclosure (1)

Subj: NAVY MARINE CORPS INTRANET INVOICE APPROVAL PROCESS
WITHIN THE MARINE CORPS (DRAFT AUDIT REPORT N2008-NFA000-0011)

(2) enforce compliance by developing and implementing a policy. Estimated date of release of said policy will be September 2009. A seat management/account management tool is estimated to be available by October 2009 which will improve the account management for NMCI accounts and seats.

b. Recommendation 3. CMC establish procedures needed to ensure that Marine Corps managers maintain records of property for NMCI seats.

Initial Marine Corps Response: Concur. As soon as PM NMCI provides a seat management/account management tool, the Marine Corps will work with PM NMCI to establish procedures needed to ensure that Marine Corps managers maintain records of property for NMCI seats. The estimated completion date for corrective action will be December 2009 in preparation for a Government-operated environment.

Revised Marine Corps Response: Concur. CMC will establish procedures needed to ensure that Marine Corps managers maintain records of property for NMCI seats. Until a seat management/account management tool is available, CMC will (1) initially release a "Best Practices" message by July 2009, and (2) establish procedures by developing and implementing a policy. Estimated date of release of said policy will be September 2009. A seat management/account management tool is estimated to be available by October 2009 which will improve the account management for NMCI accounts and seats.

c. Recommendation 4. CMC establish standard procedures for periodic monitoring, oversight, documenting, and reporting of NMCI seats.

Initial Marine Corps Response: Concur. As soon as PM NMCI provides a seat management/account management tool, the Marine Corps will work with PM NMCI to establish standard procedures for periodic monitoring, oversight, documenting, and reporting of NMCI seats. The estimated completion date for corrective action will be December 2009 in preparation for a Government-operated environment.

Revised Marine Corps Response: Concur. CMC will establish standard procedures for periodic monitoring, oversight, documenting, and reporting of NMCI seats. Until a seat management/account management tool is available, CMC will (1) initially release a "Best Practices" message by July 2009, and (2) establish standard procedures by developing and implementing a policy. Estimated date of release of said policy will be

Subj: NAVY MARINE CORPS INTRANET INVOICE APPROVAL PROCESS
WITHIN THE MARINE CORPS (DRAFT AUDIT REPORT N2008-NFA000-0011)

September 2009. A seat management/account management tool is estimated to be available by October 2009 which will improve the account management for NMCI accounts and seats.

d. Recommendation 5. CMC develop procedures to report changes in the status of accounts and identify active users, deployed personnel, and terminated users. Put funds from any resulting cost avoidances to other use and report the cost avoidances to Naval Audit Service.

Initial Marine Corps Response: Concur. As soon as PM NMCI provides a seat management/account management tool, the Marine Corps will work with PM NMCI to develop procedures to report changes in the status of accounts and identify active users, deployed personnel, and terminated users, as well as put funds from any resulting cost avoidances to other use and report the cost avoidances to Naval Audit Service. The estimated completion date for corrective action will be December 2009 in preparation for a Government-operated environment.

Revised Marine Corps Response: Concur. CMC will develop procedures to report changes in the status of accounts and identify active users, deployed personnel, and terminated users. CMC will put funds from any resulting cost avoidances to other use and report the cost avoidances to Naval Audit Service. Until a seat management/account management tool is available, CMC will (1) initially release a "Best Practices" message by July 2009, and (2) establish procedures by developing and implementing a policy. Estimated date of release of said policy will be September 2009. A seat management/account management tool is estimated to be available by October 2009 which will improve the account management for NMCI accounts and seats.

e. Recommendation 6. CMC establish policy for disabling, deactivating, and terminating accounts; include coordination between command, financial, and information assurance personnel to ensure services are cancelled.

Initial Marine Corps response: Partially concur. We concur with the recommendation to remove accounts for personnel that are retired or no longer supporting the service. It is not in the best interest of the Marine Corps to deactivate accounts for deployed or transferred users, as CTRs cannot deactivate accounts during deployment because many deployed personnel have their NMCI e-mail forwarded to their deployed account. When personnel are transferred, accounts are transferred to the gaining command, rather than deleted/deactivated, to prevent

Subj: NAVY MARINE CORPS INTRANET INVOICE APPROVAL PROCESS
WITHIN THE MARINE CORPS (DRAFT AUDIT REPORT N2008-NFA000-0011)

unnecessary delay in personnel being able to be fully effective and efficient when reporting to their new assignment.

Revised Marine Corps Response: Concur. CMC will establish policy for disabling, deactivating, and terminating accounts; include coordination between command, financial, and information assurance personnel to ensure services are cancelled. Until a seat management/account management tool is available, CMC will (1) initially release a "Best Practices" message by July 2009, and (2) establish and implement said policy. Estimated date of release of said policy will be September 2009. A seat management/account management tool is estimated to be available by October 2009 which will improve the account management for NMCI accounts and seats.

f. Recommendation 7. CMC establish procedures and internal controls, and provide oversight to ensure that certifying officials verify the accuracy of seats and/or services managed within the e-Marketplace Asset Center module to minimize errors, ensure accurate billing so that the Marine Corps does not pay for unintended seats, and adhere to contract requirements.

Initial Marine Corps Response: Concur. As soon as PM NMCI provides a seat management/account management tool, the Marine Corps will work with PM NMCI to establish procedures and internal controls, and provide oversight to ensure that certifying officials verify the accuracy of seats and/or services managed within the e-Marketplace Asset Center module to minimize errors, ensure accurate billing so that the Marine Corps does not pay for unintended seats, and adhere to contract requirements. The estimated completion date for corrective action will be December 2009 in preparation for a Government-operated environment.

Revised Marine Corps Response: Concur. CMC will establish procedures and internal controls, and provide oversight to ensure that certifying officials verify the accuracy of seats and/or services managed within the e-Marketplace Asset Center module to minimize errors, ensure accurate billing so that the Marine Corps does not pay for unintended seats, and adhere to contract requirements. Until a seat management/account management tool is available, CMC will (1) initially release a "Best Practices" message by July 2009, and (2) establish procedures and internal controls by developing and implementing a policy. Estimated date of release of said policy will be September 2009. A seat management/account management tool is estimated to be available by October 2009 which will improve the account management for NMCI accounts and seats.

Subj: NAVY MARINE CORPS INTRANET INVOICE APPROVAL PROCESS
WITHIN THE MARINE CORPS (DRAFT AUDIT REPORT N2008-NFA000-0011)

g. Recommendation 9. CMC develop the Marine Corps policies and procedures needed for managing, validating, and reviewing NMCI invoices for payment as provided by the Standards for Internal Control in the Federal Government.

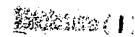
Initial Marine Corps Response: Concur. As soon as PM NMCI provides a seat management/account management tool, the Marine Corps managers will work with PM NMCI to develop the Marine Corps policies and procedures needed for managing, validating, and reviewing NMCI invoices for payment as provided by the Standards for Internal Control in the Federal Government. The estimated completion date for corrective action will be December 2009 in preparation for a Government-operated environment.

Revised Marine Corps Response: Concur. CMC will develop the Marine Corps policies and procedures needed for managing, validating, and reviewing NMCI invoices for payment as provided by the Standards for Internal Control in the Federal Government. Until a seat management/account management tool is available, CMC will (1) initially release a "Best Practices" message by July 2009, and (2) develop said policies and procedures. Estimated date of release of said policy will be September 2009. A seat management/account management tool is estimated to be available by October 2009 which will improve the account management for NMCI accounts and seats.

h. Recommendation 12. CMC establish policy to ensure that key functions; ordering, validating, and authorizing payments; of the invoice approval process are segregated among certifying officials as required by the Standards for Internal Control in the Federal Government.

Initial Marine Corps Response: Concur. Key functions such as ordering, validating, and authorizing payment are fully segregated. CORs are the certifying officials for payment authorization on the NMCI contract and are not part of the ordering process (with the exception of assisting with tool issues). The function of ordering and invoice validation resides with the CTRs. Additionally, billing only occurs in e-Marketplace, which interfaces with asset center. No billing occurs in NET. We consider this recommendation closed.

Revised Marine Corps Response: Concur. CMC will establish policy to ensure that key functions; ordering, validating, and authorizing payments; of the invoice approval process are segregated among certifying officials as required by the Standards for Internal Control in the Federal Government.



Subj: NAVY MARINE CORPS INTRANET INVOICE APPROVAL PROCESS
WITHIN THE MARINE CORPS (DRAFT AUDIT REPORT N2008-NFA000-0011)

Until a seat management/account management tool is available, CMC will (1) initially release a "Best Practices" message by July 2009, and (2) establish said policy. Estimated date of release of said policy will be September 2009. A seat management/account management tool is estimated to be available by October 2009 which will improve the account management for NMCI accounts and seats.

3. This report does not contain information that is deemed "For Official Use Only".

[REDACTED]

[REDACTED]

By direction

FOIA (b)(6)

Appendix 3:

Management Response From Program Executive Office Enterprise Information Systems



DEPARTMENT OF THE NAVY
PROGRAM EXECUTIVE OFFICER
ENTERPRISE INFORMATION SYSTEMS (PEO-EIS)
2451 CRYSTAL DRIVE, SUITE 1139
ARLINGTON, VA 22202

7510
Ser PEO-EIS/00002
13 Jan 09

MEMORANDUM FOR NAVAL AUDIT SERVICE

Subj: NAVY MARINE CORPS INTRANET INVOICE APPROVAL PROCESS WITHIN THE
MARINE CORPS (N2008-NFA000-0011)
Ref: (a) Naval Audit Service Draft Audit Report N2008-NFA000-0011
Dated 30 Sep 09

1. After review of reference (a), Program Executive Officer Enterprise Information Systems (PEO EIS) concurs with the Naval Audit Service recommendation. The Program Manager for the Navy Marine Corps Intranet (PM, NMCI) is taking the appropriate steps necessary to implement recommendation 8 as outlined below.

Recommendation 8: "Develop the account management tools and processes needed to strengthen NMCI invoice management internal control to reduce future risk within the Marine Corps for loss or misuse of Government resources and acquiring and paying for goods and services not needed".

PEO-EIS Comment: Concur, PM NMCI is developing an Enterprise Accounts Management Tool which will be available to Navy and USMC command representatives in 4th quarter FY09. This tool will allow NMCI command representatives to identify unneeded accounts and request their removal as desired. While this tool solution is under development, PM NMCI has been sponsoring monthly account cleanup efforts by manually identifying potential dormant accounts and deactivating those validated as no longer needed. Approximately 120,000 Navy and 50,000 USMC accounts have been removed since FY08, eliminating payment for unnecessary accounts.

2. Please address comments or concerns to [REDACTED]

Copy to: Assistant Audit General for Financial Management and Audits,
Audit Director [REDACTED]

FOIA (b)(6)

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Appendix 4:

Naval Audit Service Comment on Marine Corps Opening Comments

As part of their 11 December 2008 response, the Marine Corps provided opening comments on the report. A summary of those comments, and the Naval Audit Service response, is below.

Marine Corps opening comments on the report. The report was issued with missing information: the audit was requested to find out if the Marine Corps was charged for services/assets that they did not receive and this was not addressed. Further, the audit did not give recommendations on how the Marine Corps can recover government money, which was requested. The audit report does not mention anything about the repeated requests to EDS and PM NMCI in requesting a seat management tool.

Naval Audit Service response to Marine Corps comments. We were unable to assess whether the Marine Corps was charged for services not received because the Command either did not prepare or did not retain the required audit trails, and associated supporting documentation, to support the receipt and acceptance of services. The audit report identified weaknesses in the invoice approval process and included recommendations that, when implemented, should minimize the risk of invalid or potential improper payments made to the contractor.

Finding 1 “Seat Management,” Account Management Tool, recognizes senior Marine Corps management concerns about the lack of an account management tool. We were not able to substantiate all assertions made by Marine Corps representatives within repeated requests to EDS and the PM NMCI office. However, the audit report reflected the need for such account management tools and recommended they be developed. We have also included in Finding 1 a statement that Marine Corps officials told us that the Marine Corps had made repeated requests to EDS and PM NMCI in requesting a seat management tool, but that such a tool and capability were never provided.

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